



2001 Report on Budget and Transportation

Representative

Beverly Woods

(R) 23rd District

November 2001

Dear Friends,

Earlier this year I shared a list of issues facing our state and asked you to rank them in importance. The top three, according to those who responded, were education, taxes and spending, and funding for ferries and highways. They were my top three concerns for the 2001 legislative session, and they'll be at the top of my agenda when we begin the 2002 session in January.

The relationship between "books, boats and bucks" is closer than you may realize. K-12 education accounts for more than 43 percent of the 2001-03 operating budget adopted in June. The operating budget, in turn, is already in tatters. I couldn't vote for the budget because I knew it would put our state at risk, but too many other legislators ignored the economic warning signs and authorized spending hundreds of millions of dollars more than the state expects to receive in taxes and other revenue. And ferries? There was to be a much-needed \$30 million appropriation in the 2002 supplemental budget for continuing ferry operations through the 2001-03 biennium. This money now looks to be in jeopardy.

I don't believe state government's overspending will jeopardize K-12 funding, but I am very concerned about the Legislature's ability to scale back to a sustainable level of spending. I'm even more worried about maintaining a level of ferry service that will allow us to maintain the quality of life we enjoy on the Kitsap Peninsula.

It stands to be a most difficult 2002 legislative session. However, as we have been reminded recently, it is a privilege to live in a nation that allows its citizens, individually and in communities, to govern themselves and pursue solutions to their local issues.

Thank you again for the honor of representing you.

Sincerely,

Beverly Woods
State Representative

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Capital Budget
Rules
Trade and Economic
Development
Legislative Transportation
Committee
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Joint Task Force on State Parks
Tariff Policy Board

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Building a state budget

The state spending plan consists of three separate budgets, paid for through different funding sources and adopted every two years: an operating budget, a transportation budget and a capital budget.

The budgets adopted this past legislative session cover the biennium from July 1 of this year to June 30, 2003. It is normal to make adjustments in them each year to pay for unforeseen emergencies and unexpected needs, such as wildfire suppression, disaster relief and caseload changes.

Operating budget: the budget we refer to most often. It appropriates money from the general fund and other dedicated accounts for general government operations. This includes funding for schools, colleges and universities, human services, natural resource management and other general needs. The 2001-03 general fund budget totals \$22.8 billion.

Transportation budget: funds highway construction, the majority of ferry services, transit services, the Washington State Patrol, and other transportation-related items. The 2001-03 transportation budget totals \$3.4 billion, but it is widely considered insufficient to meet our state's growing transportation needs. It doesn't provide funding for new road construction projects, only maintenance and preservation of existing highways.

I and other lawmakers worked hard this year to negotiate a new revenue plan that would provide a much-needed investment in our infrastructure through new

projects to improve ferry service, relieve traffic congestion, improve economic opportunities and make highways safer. But an agreement on a funding plan could not be reached during the 2001 session.

Capital budget: covers construction and remodeling costs for state facilities, including schools, state offices, parks and items such as habitat improvement. The 2001-03 capital budget will pay for approximately \$2.5 billion in construction.

A large share of state construction costs is funded through bonds, which are often backed by general fund revenues. Declining revenues have raised the fear that the state may not be able to support the level of bonding needed to pay for projects in the 2001-03 budget. The governor has put a hold on borrowing for new projects, including the Bremerton Emergency Preparedness Center and Olympic College's Poulsbo campus.

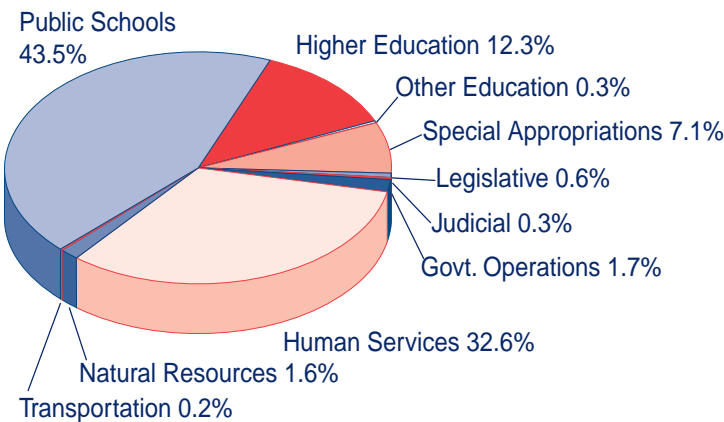
Bringing a budget into balance

Tax revenue collections have steadily slowed the past several months due to our cooling economy. When it was adopted in June, the operating budget spent \$667 million more than the state expected to take in, according to the economic forecast released that month. The state's September revenue forecast indicated the gap had increased to \$765 million in spending beyond expected revenues, and that was *before* economists had a chance to figure out how the Sept. 11 terrorist attacks affected our state and national economy.

The November forecast, expected as I write this, will likely paint an even darker picture. Some economists are predicting the level of spending will exceed the revenues available by close to \$1 billion. Just five months into our two-year budget cycle, lawmakers finally will be forced to make real cuts to the “balanced” budget if we are to keep it afloat without raising taxes.

2001-03 Budget Picture

2001-03 Projected Tax Revenues	\$22,021,800
2001-03 Budget Expenditures	\$22,786,783
Difference	-\$765 million
Unrestricted General Fund Reserve	\$66 million
Emergency Reserve	\$390 million



Approximately 43.5 percent of the \$22.8 billion general fund budget goes toward K-12 education – money lawmakers would rather not touch. The governor has asked seven of the largest state agencies to prepare contingency cuts of 15 percent from their budgets. The agencies he’s targeted for cuts include the departments of Social and Health Services, Corrections, Community Development, Health, Ecology, and Fish and Wildlife, as well as the Office of Trade and Economic Development.

The governor – who praised the operating budget when it was passed in June – now says it will be brought into balance without raising taxes. That is my goal as well.

What you think about ferry service

I also asked you this year to share your opinions about Washington State Ferries service. Here’s how you responded. I believe your views about rates are particularly notable, considering Kitsap legislators were not united against the bill that allowed the Transportation Commission to raise fares above the limit set by Initiative 601.

The way I read that measure, Senate Bill 6181, ferry fares can increase by any percentage the commission wants. That could mean sizable yearly hikes, with no accountability, unless the Legislature steps in. Given the condition of the operating budget, the ferry system may be in more dire financial straits in 2002 than ever, which could make another rate increase all too tempting.

I appreciate your input because it helps shape the way I work with legislators who don’t represent ferry-dependent communities – and can’t understand how our “marine highways” are every bit as deserving of government support as their concrete and asphalt roads.

Does the ferry schedule meet your needs?

Yes - 81% No - 19%

What is the highest fare you are willing to pay to continue ferry service at today's level?

	\$3-5	\$6-8	\$9+
Passenger only	70%	21%	9%
Auto/walk on	60%	26%	14%

Can your family budget afford a rate increase?

Yes - 30% No - 70%

Which maintenance costs do you believe should be recovered at the farebox?

Day-to-day maintenance - 48%
All work on ferries & the facilities to perform work - 16%
Other ideas - 36%

If the costs are not recovered at the farebox, where should it get the money?

Increase the gas tax - 34%
Use portion from auto-related sales - 33%
Other ideas - 33%

Should ferry service be reduced to lower expenses and keep fares from being increased to an 80 percent recovery rate?

Yes - 24% No - 76%

Should the state continue to operate passenger-only service?

Yes - 73% No - 27%

Should the state allow private ferry operators to offer service where they feel they can make a profit, or should the state continue to offer this service?

Let private operators offer service where they wish - 58%
State should continue passenger-only service - 42%

What should the farebook discount for passenger-only travel equal?

Remain at 30% - 61% 20% - 29% 15% - 10%

What should the farebook discount for car/driver travel equal?

Remain at 20% - 77% 15% - 15% 10% - 8%